



MCI Telecommunications  
Corporation  
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July 8, 1994

Mr. William F. Caton  
Secretary  
Federal Communications Commission  
Room 222  
1919 M Street, NW  
Washington, DC 20554

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FEDERAL COMMUNICATIONS COMMISSION

Re: RM 8480: Petition for Rulemaking of the Ad Hoc  
Telecommunications Users Committee

Dear Mr. Caton:

Enclosed herewith for filing are the original and four (4) copies of MCI Telecommunications Corporation's Comments in the above-captioned proceeding.

Please acknowledge receipt by affixing an appropriate notation on the copy of the MCI Comments furnished for such purpose and remit same to the bearer.

Sincerely yours,

Elizabeth Dickerson  
Manager, Federal Regulatory

Enclosure  
ED/ms

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Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, DC 20054

RECEIVED  
JUL - 8 1994

FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON, DC 20554

In the Matter of )  
 )  
Petition for Rulemaking of )  
the Ad Hoc Telecommunications )  
Users Committee )

RM 8480

**COMMENTS**

MCI Telecommunications Corporation ("MCI") hereby submits its comments to a petition for rulemaking filed by the Ad Hoc Telecommunications Users Committee ("Ad Hoc") on April 15, 1994, in the above-captioned matter. In its petition, Ad Hoc proposes modifications to three specific areas of Commission's regulation of local exchange carriers ("LECs"): Universal Service Fund ("USF") rules, Part 36 separations rules, and Part 69 access charge rules. Ad Hoc has attached to the instant petition a study that expounds upon its reform proposals.<sup>1</sup>

First, it proposes that funding for universal service be based upon the "existing definition of basic [telecommunications] service."<sup>2</sup> According to Ad Hoc, competing firms should be allowed to bid to provide service in high cost areas. Ad Hoc also says that the current system of collecting USF subsidies from interexchange carriers ("IXCs") on the basis of the number of

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<sup>1</sup> Lee L. Selwyn and Susan M. Gately, *Access and Competition: The Vital Link*, Economics and Technology, Inc., March, 1994 ("ETI Study").

<sup>2</sup> Petition, at 7.

presubscribed lines should be replaced with a system that collects funds from all local service providers. A neutral party that does not provide local service should collect and distribute these funds.<sup>3</sup>

Second, Ad Hoc recommends that the existing Part 36 separations rules should be replaced with a gross allocation method such as its Jurisdictional Transfer Mechanism plan. Until such reform is adopted, or in lieu of such reform, the Commission should divorce account-specific Part 36 separations results from Part 69 access charge development, using the separations model only to develop a single interstate revenue requirement.<sup>4</sup>

Finally, Ad Hoc advocates that access charge reform should proceed concurrently with Separations reform. The access charge system must be modified to ensure both that access rates track more closely to underlying costs, Ad Hoc states, while maintaining an industry-wide (not carrier-specific) access charge model.<sup>5</sup>

Ad Hoc's petition is another in a line of numerous requests by industry participants that the Commission initiate proceedings to consider reform to its rules governing LEC access charges and subsidies, and other matters to reflect new technological developments and changes in the competitive

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<sup>3</sup> Comments of Ad Hoc, pp 6-9. See also, ETI Study at 13-23.

<sup>4</sup> Comments of Ad Hoc, pp 9-12. See also, ETI Study at 23-33.

<sup>5</sup> Comments of Ad Hoc, pp. 12-14. See also, ETI Study at 33-37.

terrain.<sup>6</sup> MCI continues to support those parties who request that the Commission launch a Notice of Inquiry ("NOI") to investigate these broad and interrelated issues, while it opposes those parties who seek more expedited proceedings that reflect specific proposals.<sup>7</sup> For example, in response to NARUC's request for rulemaking, MCI stated that while it did not favor all aspects of NARUC's recommendations, it embraced the precept that the time was ripe for a "comprehensive review of Part 61 and Part 69 access rate structure and rate setting principles."<sup>8</sup> On the other hand, MCI disagreed with many of the changes that USTA advanced in its reform proposal, arguing that such a request for rulemaking was inappropriate because it was based on one-sided vision of the industry and "preclude[d] the views of other parties in the development of the debate."<sup>9</sup>

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<sup>6</sup> See NARUC's Request for a Notice of Inquiry Concerning Access Issues, DA 93-847, filed August 3, 1993; United States Telephone Association ("USTA") Petition for Rulemaking in the Matter of Reform of the Interstate Access Charge Rules, RM 8356, filed October 1, 1993; and Metropolitan Fiber System Communication Company's Petition for a Notice of Inquiry and *En Banc* Hearing in the Matter of: Inquiry into Policies and Programs to Assure Universal Telephone Service in a Competitive Market Environment, RM 8388, filed November 1, 1993 ("MFS Petition").

<sup>7</sup> See e.g., Ameritech's Petition for Declaratory Ruling and Related Waivers to Establish a New Regulatory Model for the Ameritech Region, DA 93-481, filed March 1, 1993; and NYNEX's Petition for Waiver for a Transition Plan to Preserve Universal Service in a Competitive Environment, DA 93-1537, filed December 15, 1993.

<sup>8</sup> MCI Comments, NARUC's Request for a Notice of Inquiry Concerning Access Issues, DA 93-847, filed September 2, 1993.

<sup>9</sup> MCI Comments, USTA's Petition for Rulemaking, RM 8356, filed November 1, 1993, at 2.

While MCI supports some of the ideas advanced by Ad Hoc,<sup>10</sup> MCI does not specifically comment in this pleading on the merits of the rule changes Ad Hoc presents.<sup>11</sup> Instead, MCI continues to urge the Commission to address a comprehensive review of access rate structure, as well as a comprehensive review of universal service issues. Because the initial public policy decisions have been made that allow competition for LEC access services to begin, it is necessary to review access structures and universal service support flows to ensure that the rules can accommodate the development of competition. As LECs begin to offer services that are subject to increasing degrees of competition, it is incumbent upon the Commission to closely monitor the prices of potentially competitive services -- to ensure they are not priced below cost -- and the remaining monopoly services -- to ensure they are not priced above cost.

The complexity and linkage among these matters requires a broad-based evaluation that first establishes the public policy goals to be attained, and then develops the plans and rules that can achieve these goals. While the proliferation of rulemaking proposals is evidence of the far-reaching concern of all segments of the industry that the current system is in great

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<sup>10</sup> See MCI Comments, Metropolitan Fiber System Communication Company's Petition for a Notice of Inquiry and *En Banc* Hearing, at 3.

<sup>11</sup> There is not adequate information for MCI to fully assess the impact of certain of Ad Hoc's proposals. For example, MCI is perplexed by the proposal to "delink" Part 36 from Part 69, since the adoption of price cap regulation for a significant portion of the market effectively has already achieved that result.

need of an overhaul, each one offers a cure to the problem before the problem is fully diagnosed. MCI believes that the NOI is the appropriate vehicle for identifying the Commission's goals and setting the stage for a review of all the many access reform proposals and universal service proposals now before the Commission or that may be filed in the future.

For the foregoing reasons, MCI urges the Commission to grant Ad Hoc's petition in part and initiate investigations into universal service, access charge, and separations issues. Because each of these matters is itself complex and concerns discrete issues, MCI favors adoption of three separate NOIs. In this way, all industry participants can join in the comprehensive reevaluation of these matters.

Respectfully submitted,  
MCI TELECOMMUNICATIONS CORPORATION



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Manager, Federal Regulatory  
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July 8, 1994

**STATEMENT OF VERIFICATION**

I have read the foregoing and, to the best of my knowledge, information, and belief, there is good ground to support it, and it is not interposed for delay. I verify under penalty of perjury that the foregoing is true and correct. Executed on July 8, 1994.

A handwritten signature in black ink, reading "Elizabeth Dickerson". The signature is written in a cursive style with a horizontal line underneath.

Elizabeth Dickerson  
1801 Pennsylvania Avenue, NW  
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(202) 887-3821

CERTIFICATE OF SERVICE

I, Gwen Montalvo, do hereby certify that copies of the foregoing MCI's Comments were sent via first class mail, postage paid, to the following on this 8th day of July 1994:

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c:svc\eliz

  
Gwen Montalvo